



Center for Beneficiary Choices

March 29, 2002

TO: Medicare+Choice Organizations and Participants in Covered Demonstration Projects

SUBJECT: Resumption of Data Collection

In an effort to ensure that the Centers for Medicare & Medicaid Services (CMS) pay health plans more accurately and fairly, I am pleased to announce our risk adjustment approach for 2004. After extensive discussions and input from Medicare+Choice (M+C) organizations and their representatives, physicians, and provider organizations, we have chosen a “selected significant condition” model comprised of approximately 61 disease groups. The diagnoses are “significant” because they are relevant for risk-adjusted payment and have been included in the model because of their statistical and clinical significance for the Medicare population.

The model is site neutral because it does not pay differentially for diagnoses identified in hospitals or ambulatory settings. CMS hopes that having a model that is payment site neutral will discourage unnecessary hospitalizations for beneficiaries based on higher payment amounts for inpatient treatment. We believe that this model will improve payment accuracy and fairness beyond the current system.

The model is a refinement of the Hierarchical Condition Category (HCC) model developed by Health Economics Research, Inc. At this time, we are providing you with the specific International Classification of Diseases, version 9 (ICD-9) codes you will need to collect from your providers and submit to CMS. (Web page citations for this information and other details are in Enclosure A). Final model development will continue throughout the Spring.

To implement the new risk-adjusted payments beginning January 1, 2004, M+C organizations will need to begin collecting information on the selected diagnoses from July 1, 2002. The data do not need to be submitted to CMS until October 2002. The selected diagnoses on services performed between July 1, 2002 through June 30, 2003 will be used to calculate payments for 2004.

Secretary Thompson suspended the submission of physician and hospital outpatient encounter data in May 2001 and directed CMS to develop a risk adjustment approach that balances payment accuracy with data collection burden. Since then, CMS has worked extensively with M+C organizations, their associations, and other interested parties to develop a risk adjustment approach that reduces the burden of data collection for M+C organizations by about 98 percent. This significant burden reduction has been achieved by reducing the number of data elements (from 50 to only 5 elements) to be submitted, only requiring submission of diagnoses that are

needed for calculating payments, and creating a simplified data submission format and processing system.

We will release instructions about submitting the selected diagnostic data for risk adjustment in April. CMS will provide training for M+C organization staff interested in learning about risk adjustment, data collection, data submission, and data formats this June. We will also continue our ongoing technical assistance efforts via regularly scheduled conference calls, user groups, regional training and site visits with the M+C organizations. We also will continue to maintain a website with comprehensive technical information for submission of risk adjustment data. Further, we have a Customer Service and Support Center offering toll-free technical assistance to M+C organizations. We have provided a draft list of the 61 disease groups in Enclosure B and public comments on the risk adjustment model are summarized in Enclosure C.

We appreciate the comments we have received from M+C organizations, trade associations, provider organizations, and others over the past 6 months. Your assistance and comments have led to an improved, less burdensome risk adjustment model. If you have additional questions, please contact Cynthia Tudor, Ph.D. at (410) 786-6499 or at Ctudor@cms.hhs.gov.

Sincerely,

/s/

Jennifer Boulanger
Deputy Director for Health Plans
Center for Beneficiary Choices

Enclosures